



**PROPOSAL TO PROVIDE
Medical Management Consultant Services to
Arizona Health Care Cost Containment System
Solicitation #SCC060004
Program Review and Evaluation Program Consultation and Management Consultant –
Healthcare Practice Emphasis**

Contact Information:

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Ms. Jamey Schultz
Strategic Contracting Centers
Arizona Health Care Cost Containment System
701 East Jefferson Street – MD 5700
Phoenix, Arizona 85034

Dear Ms. Schultz:

KPMG LLP (KPMG) is pleased to respond to the RFP for Medical Management Consultant services for Arizona Health Care Cost Containment System (AHCCCS) concerning the following three service objectives:

- Program Review and Evaluation
- Program Consultation
- Management Consultant – Healthcare Practice Emphasis

We recognize the growing complexity of issues facing Arizona's Medicaid program. The increasing needs of members coupled with the continuing budget constraints require constant attention from management. The nature of healthcare delivery today requires that organizations continually evaluate a host of available operational and strategic options and choose those that make the most sense for their situation. AHCCCS needs a professional service firm who can "partner" with you. "Partnering" will serve to provide the most efficient and cost effective approach to obtain needed value added services.

KPMG has structured our response to your RFP for Medical Management Consultant services to provide the content and information requested in the specified format. Our response recognizes that AHCCCS seeks the best and the brightest talents which our firm can provide. AHCCCS is looking for a firm that can analyze current procedures, make recommendations for improvement and follow through with implementation.

The success of any advisory services project is directly related to the experience and skills of the professional staff assigned, the tools and methodologies provided to them, and the effective management of their efforts. The major skill areas required to effectively perform this project include:

- Experience in Healthcare Operational Risk management
- Program Management Oversight (systems implementation, organizational change and ownership transition)
- Experience with claims management operations
- Contract and Regulatory compliance
- Change Management and Communications



Our industry focus has been critical to our success and remains so. KPMG was the first professional services firm to align its business and professionals by industry; our healthcare services line of business is the firm's largest and oldest industry segment. Members of our U.S. and global network dedicated to the healthcare services industry communicate routinely on industry developments, technical issues, and leading practices. In addition, to effectively address specialty issues, KPMG's Healthcare practice offers AHCCCS the experience and knowledge of more than 1,000 professionals dedicated to the industry.

As you read our proposal, you will see that we have addressed all of the requirements that were outlined in your RFP. We firmly believe that the combination of our industry experience, responsiveness, comprehensive product focus, engagement team profile, and our leadership position in serving the healthcare industry makes KPMG the firm best qualified to serve you. We believe in your mission of improving the health of the citizens of Arizona and look forward to helping you deliver on that mission.

In closing, I would emphasize one final point: we want your business. We are confident that the KPMG team that we have assembled is the right one for AHCCCS. We are energetic, experienced, and responsive to our clients. As your lead partner for this engagement, I will coordinate KPMG's services to AHCCCS and will personally help ensure that your needs are met with high-quality service and that we leverage the right resources of KPMG to help AHCCCS achieve its business objectives.

Should you wish to discuss any items in this proposal, please do not hesitate to contact me at 213-593-6622.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Styles". The signature is fluid and stylized, with a long horizontal stroke extending from the end.

Kelly Styles
Managing Director



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A. Executive Summary

Our commitment to Arizona Health Care Cost Containment System (AHCCCS) is simple and clear. KPMG LLP (KPMG) is prepared to assist AHCCCS in performing task order assignments categorized to fall within any of the three following service objectives: Program Review and Evaluation, Program Consultation, and Management Consultant – Healthcare Practice Emphasis. To this end, KPMG will dedicate our best resources to you in order to provide comprehensive client service and delivery. This means that AHCCCS' State agencies/departments will receive:

- Client service befitting a market leader in one of our priority industry sectors - joining the ranks of worldwide leaders such as Wellpoint, Maricopa County, Kaiser, and Tenet Healthcare
- A knowledgeable Project Manager designated to liaison with the State agency/department assigning the task order
- Access to our most experienced professionals on a consistent basis
- Advance information on emerging issues and technical developments
- Advance information and advice on emerging regulatory issues
- Continuous client feedback through our Web-enabled client satisfaction system, Monitor
- Direct channels to KPMG's technical resource centers (i.e., KClient - enables our clients to work with KPMG in a secure virtual workspace over the Internet.)

We look forward to working with you to deliver truly integrated subject-specific services wherever and whenever you need them. To achieve this, we have identified top performers with business risk and process analysis, operations review, change management, IT control and operational efficiencies, utilization profiling and health safety compliance, administration, and regulatory compliance experience to serve AHCCCS. We understand your expectations and the AHCCCS method of doing business, and we reflect this understanding in the team we have selected and in the approach we take to serving you. We describe these team members and their specific capabilities beginning on page 3 of this document.

You have articulated that the successful bidder must demonstrate specific capabilities. Following is a brief summary of why we believe you should select KPMG to support your medical management consultant objectives.

The quality of the team we have selected to serve AHCCCS is the clearest demonstration of our commitment to you. The core team of professionals we have selected to service AHCCCS has been selected for their extensive experience in serving the healthcare industry, with over 115 collective years of relevant experience.

The core team's experience spans several of the critical issues healthcare organizations face today, including: managing rising costs, quality of care, safety, HIPAA, labor shortages, contract compliance, uncompensated care, hospital closures, claims processing, regulatory compliance issues, and the challenges of more rigorous governance.



We have earned a reputation for responsive, high-quality service and industry leadership. In the 2004 Novak CPA Study, KPMG was first among total clients in highest overall positive perception with 74 percent (tied with Deloitte). Of the attributes included in the Study, KPMG placed first on six of the attributes measured, including: understands our business, practical recommendations, responds quickly, gives real value, brings capabilities and technical expertise, and has good relations with us. We want to hear and understand your perspective, and offer the insightful feedback that is the hallmark of responsive service and overall value. We believe that our commitment to open, ongoing communication is a vital component of our service to you as well as a significant source of client satisfaction.

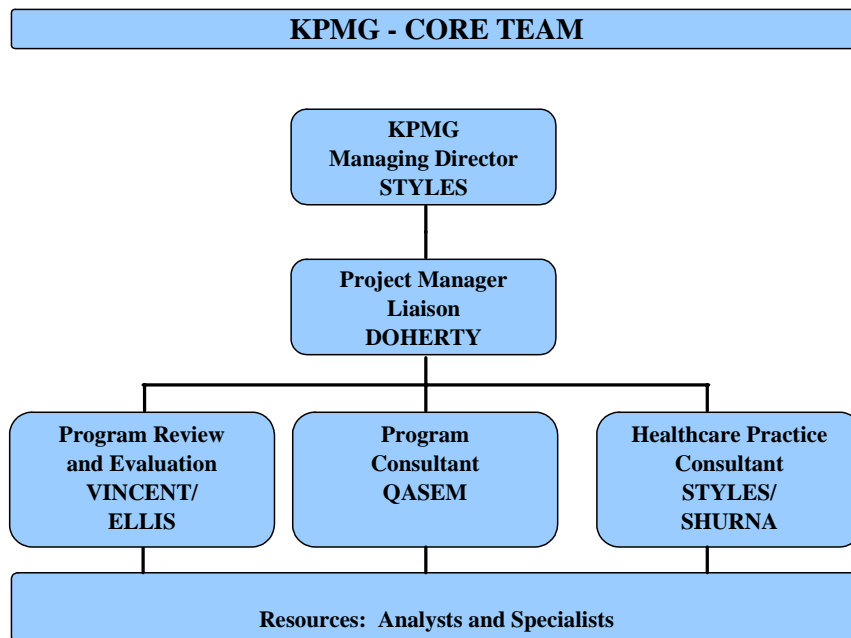
Our engagement is subject to completion of our normal client acceptance process and execution of an engagement letter.



B. Qualifications of Assigned Personnel

Assigned Personnel

Our multi-disciplinary team allows us to match your specific needs with the specialized expertise of our professional's. Your team will include more than accountants. We also have RNs, utilization management personnel, actuaries, IT professionals, and a vast array of other professionals. Your core team will provide day-to-day services, get to know you, and deliver engagements that are timely and valuable. This core team will be augmented with subject matter professionals to assist with technical issues as needed.





Biographical Sketch – Core Team

Following is a brief biographical sketch for each core team member that addresses their overall healthcare experience, as well as the technical expertise they can bring to this engagement.

Kelly Styles - KPMG Managing Director, will serve as the lead partner on the engagement and will be the primary contact for AHCCCS' procurement officer and senior management. He will be responsible for all the engagement deliverables and see to it that AHCCCS' needs are met. In addition, Kelly will serve as one of the primary subject matter specialist on this engagement. Kelly has over 25 years of experience in healthcare, and is the leader of KPMG's West Coast Healthcare Practice for Risk Advisory Services. He has extensive experience in addressing operational issues and change management. Kelly has a Ph.D. in Organizational Design, a MA in Public Health, a BS degree, and a Diploma Nursing Services. Kelly's clients include: Maricopa County, Sharp Health, and Tenet Healthcare.

Joanne Doherty, - KPMG Manager, will serve as the Project Manager on the engagement and will be the primary contact for AHCCCS' Project Liaison. Joanne has recently relocated to our Phoenix Office from New York City. Joanne will be responsible for managing the project deliverable, including staffing, executing the engagement, progress reporting, and quality control. Joanne has over 14 years of healthcare experience, and has extensive experience in business planning, market assessment, Federal and State regulatory reimbursement issues, and cost analyses. Joanne has an MBA in accounting, a BA in Economics, and is a Certified Public Accountant in New York. Joanne's clients include: New York State Department of Health, NYU Downtown Hospital, Catholic Health Services of Long Island, and Lifespan Corporate Services.

Dan Vincent, - KPMG Director, will serve as one of the primary subject matter specialists on this engagement. Dan has over 20 years of healthcare experience, and has extensive experience in financial planning, operations improvement, compliance audits, cost analyses, and litigation support. He has a MHA and a BS in Health Administration and Planning. Dan holds the following certifications: Fellow, Life Management Institute (FMLI), Certified Treasury Professional (CTP), Certified in Healthcare Compliance (CHC), and Certified, Control Self Assessment (CCSA). Dan's clients include: CalOptima (Managed MediCal program for Orange County, CA), Children's Hospital (Los Angeles, CA), Department of Managed Care (State of California), InSight Health Service, Inc. (Lake Forest, CA), and St. Vincent Healthcare (Billings, MT).

Bassam Qasem, KPMG Senior Manager, will serve as the primary IT subject matter specialist on this engagement. Bassam has over 8 years of healthcare experience with extensive experience in examining configuration and interface controls over a host of business process applications. Bassam has a BS degree. He is a Certified Public Accountant in Indiana and a Certified Information Systems Auditor (CISA). Bassam's clients include: Blue Cross Blue Shield of California, Kaiser Foundation Health Plan, Inc., Tenet HealthSystem, Baylor Healthcare System, and University of Texas Southwestern Medical Center.



Daniel Ellis, - KPMG Director, will serve as one of the primary subject matter specialists on this engagement, and he is located in the Phoenix office. Daniel has over 25 years of healthcare experience. He has extensive experience with comprehensive business risk assessment, and with redirecting resources to effect appropriate changes in business process controls. Daniel has a BS degree and is a Certified Public Accountant in Oregon. Daniel's clients include: Maricopa County Medical Center, Maricopa County Managed Care System, Banner Health, University of New Mexico Health Sciences University, and Empire Blue Cross Blue Shield.

Barbara Shurna, KPMG Director, will serve as one of the primary subject matter specialist on this engagement. Barbara has over 25 years of experience in healthcare with extensive experience in coding, health safety issues, utilization review and documentation training, and compliance reviews for JCAHO as well as other State and local standards. Barbara has a MA in Nursing and a BS in Nursing and is a Registered Nurse (RN). Barbara's clients include: Catholic Healthcare Partners (Cincinnati, Ohio), Trinity Health (Detroit, Michigan), and Presbyterian Healthcare Services (Albuquerque, New Mexico).

Resumes

On the pages that follow, we have provided the resumes of the assigned personnel. We have also included a sampling of some resumes from other subject matter professionals.



Kelly Styles, Ph.D., R.N., KPMG – Managing Director

Role and Background: Dr. Styles is a Managing Director in KPMG's Healthcare Risk Advisory Services Practice with over 25 years of healthcare experience. As the lead Managing Director for this engagement, Dr. Styles will be responsible for seeing that AHCCCS' objectives are met. He will also serve as one of the primary subject matter specialist on this engagement.

KPMG Tenure: 18 years

CPE Profile: 60 hours on emerging healthcare issues, 40 hours on SOX and financial reporting, 20 hours on engagement management, and 65 hours on IT and regulatory compliance.

Representative Accomplishments: Dr. Styles is the Managing Director for KPMG's Western Region healthcare practice and National Leader for Healthcare Clinical Operations. His role will be to ensure you have the highest access to KPMG's full range of healthcare professionals and leading edge methodologies. He has over 25 years of experience in healthcare operational issues, administration, regulatory compliance, and mergers/acquisitions, and change management. He also has a clinical background in Emergency and Psychiatric Services.

Dr. Styles spearheads the regional healthcare team in areas such as cost management, reimbursement, capital planning, compliance, and provider operations improvement. He led KPMG's national team for APCs and PPS changes. He also produces the semi-annual Chief Audit Executive Forum which involves the top audit leaders of the major hospital systems.

Dr. Styles has been involved in building technical designs, modeling the plan, and managing day-by-day implementation tasks. He has also been responsible for installations of performance measures and financial management systems for owned and managed facilities in the 104 hospitals owned by HCA. In another assignment, Dr. Styles spearheaded the redesign of care planning given enabling technologies (more than 30 facilities).

His regulatory efforts include implementation of programs for compliance, reimbursement, and billing controls. These programs and/or internal audits enabled KPMG clients to initiate or redesign current monitoring activities or update to current standards.

In operations, he has driven the development of operational and cost benchmarks for provider organizations. He has also created cost accounting dictionaries for all major hospital, clinic, and physician practice cost centers.

Education: Loyola Marymount University, PhD in Organizational Design, the University of Tennessee, MA in Public Health, North Carolina State University, BS degree, and St. Mary's School of Nursing, Diploma Nursing Services



Joanne Doherty, C.P.A., KPMG - Manager

Role and Background: Ms. Doherty is a Manager in KPMG's Healthcare Risk Advisory Services Practice with over 14 years of healthcare experience in business planning, budgeting, market assessment, and reimbursement. Based out of our Phoenix Office, Ms. Doherty will serve as a Project Manager on this engagement.

KPMG Tenure: 22 years

CPE Profile: 43 hours on emerging healthcare issues, 40 hours on healthcare reimbursement and revenue, 26 hours on SOX and internal controls, 53 hours on project management and other services.

Representative Accomplishments:

- Performed assessments to evaluate all aspects of a hospital system, identify risks and opportunities, and assist management in prioritizing a plan to reduce costs and improve revenues
- Participated in turnaround engagements with hospitals and hospital systems that include developing and implementing comprehensive plans to improve labor costs, enhance market position, increase revenues, consolidate services, outsource services, monitor improvements, and reduce non-labor costs
- Developed dashboards to help hospital board of directors and senior management participate in and monitor planned improvements in operational profitability
- Analyzed the market potential and financial impact of various new/existing programs and services targeted for expansion or retraction, and assisted in the prioritization of capital investment planning
- Assisted major teaching hospital in establishing a bond rating for major capital financing project
- Assisted major teaching and community hospitals with the development of their budgets
- Performed regulatory compliance audits
- Provided assistance in understanding and quantifying the financial impact of regulatory changes in both Federal and State reimbursement rates, and other regulatory issues impacting healthcare facilities
- Provided assistance in analyzing and renegotiating managed care contracts
- Assessed market and demographic conditions

Education and Certification: Baruch College, The City University of New York, MBA, The University of Minnesota, BA in Economics, and Certified Public Accountant, New York



Dan Vincent, C.C.S.A., C.H.C., KPMG - Director

Role and Background: Mr. Vincent is a Director in KPMG's Healthcare Risk Advisory Services Practice with over 20 years of healthcare experience in the areas of financial planning and analysis, operations improvement, compliance program development, auditing, litigation support, and managed care rate setting/contracting. Mr. Vincent will serve as one of the primary subject matter specialists on this engagement.

KPMG Tenure: 10 years

CPE Profile: 120 hours on financial control and accounting issues and 25 hours on regulatory, compliance and healthcare updates.

Representative Accomplishments:

- Provided Sarbanes-Oxley preparation and audit services for seven significant clients
- Led numerous compliance audits and program improvements relating to federal and state grant programs
- Assisted a large research hospital in the improvement of their federal grant indirect cost rates
- Planned a research hospital and supporting clinics for a South American governmental agency
- Assisted an indigenous tribe with activity-based costing study to improve efficiency in nine-clinic system
- Developed a revised pricing and costing strategy for a national laboratory services provider
- Saved a hospital system \$91 million via renegotiation of a nine-year, managed care contract with its key HMO

Work Experience: Prior to joining KPMG, Dan served as a principal in a large consulting firm providing financial planning and actuarial services to healthcare providers and payors as well as cost-reduction strategies for employers. Dan has also served as a director of medical economics for a midsize HMO, financial analyst for a state hospital association focusing on Medicaid and Medicare issues, and an administrator for a major teaching hospital.

Education: The University of Southern California, MHA and the University of New Hampshire, BS, Health Administration and Planning

Certifications: Fellow, Life Management Institute (FMLI), Certified Treasury Professional (CTP), Certified in Healthcare Compliance (CHC), and Certified, Control Self Assessment (CCSA)



Bassam Qasem, C.P.A., C.I.S.A., KPMG - Senior Manager

Role and Background: Mr. Qasem is a Senior Manager in KPMG's Healthcare Risk Advisory Services Practice with over 8 years of experience in evaluating business processes, including IT controls, and identifying opportunities to improve those controls and to realize operating efficiencies for healthcare clients. Mr. Qasem will serve as the primary IT subject matter specialist on this engagement.

KPMG Tenure: 9 years

CPE Profile: 72 hours in IT controls, 86 hours in accounting.

Representative Accomplishments:

- Performed and managed IT Management Assessments for various healthcare payors, providers and service organizations. Clients include:
 - One of America's largest not-for-profit healthcare organizations, serving eight million members in nine states.
 - Nationwide provider of healthcare services. The company, which employs over one hundred thousand people nationwide, provides central support services to its hospitals from a Dallas-based operations center
 - Major drugstore chain with over 2,500 locations around the country
 - Large insurance company with health, life and causality products. Part of one of the largest financial group in the nation
 - Various small hospitals including not-for-profits and University affiliated hospitals
 - Online provider of supply management solutions including group purchasing, procurement strategy and outsourcing, and e-commerce services
- The reviews included:
 - Evaluating the project management and implementation controls over:
 - System migration
 - Application transition and Post Implementation Review
 - Data conversion
 - Health Information Privacy and Accountability Act (HIPAA)
 - Examining configuration and interface controls over financial applications such as:
 - Patient accounting and hospital reporting
 - Revenue cycle (premiums, earned income)
 - Payables (claims, expenses)
 - General ledger (posting, reporting)
 - Evaluating IT Administration controls such as:
 - Logical and physical controls
 - Segregation of duties
 - Contingency planning
 - Conformity with IT portions of JCHAO and HIPAA

Education and Credentials: Indiana University, BS degree, Certified Public Accountant, Indiana and a Certified Information Systems Auditor (CISA)



Daniel Ellis, C.P.A., KPMG - Director

Role and Background: Mr. Ellis is a Director in KPMG's Healthcare Risk Advisory Services Practice with over 25 years of healthcare experience addressing business process risk and implementing change. Mr. Ellis, located in the Phoenix Office, will serve as one of the primary subject matter specialists on this engagement.

KPMG Tenure: 7 years

CPE Profile: 29 hours in Sarbanes Oxley, 90 hours in emerging healthcare issues, 82 hours in internal audit methodologies and 28 hours in IT, clinical operations, supply chain, hospital revenue, and research.

Representative Accomplishments: Mr. Ellis's background includes acute care, long-term care, outpatient services, physician practices, health plans, research, labs, pharmacy, construction, contracting, regulatory compliance, risk management, billing/charge capture, medical supplies, supply chain, treasury, financial reporting, physician issues, marketing, foundations, payroll, accounts payable, IT, M&A, implantable devices, capacity planning, human resources, workers' compensation, quality assurance, and decision support. As a former external auditor, he is proficient in financial systems and reporting, including accounts receivable issues and hindsight reviews.

Mr. Ellis has been given three awards from the Association of Healthcare Internal Auditors: Life Time Achievement Award, National Speaker of the Year, and the Institutional Award. For four years, he has produced the National Healthcare Chief Audit Executive's Forum on behalf of KPMG.

He has led internal audits for entities such as Lucille Packard Children's Hospital, Stanford University Hospital, PHS Healthcare System, Province Healthcare, Providence Healthcare of Oregon, DaVita, Team Health Services, Peninsula Regional Medical Center, Westchester Regional Medical Center, American University Student Health Services, University of New Mexico Health Sciences Center, Providence Healthcare of Washington, Good Health Plans of Oregon, Vantage, Good Health Plans of Washington, Blue Cross of Alabama, Empire Blue Cross, United Healthcare, and WellPoint.

Education and Certification: Portland State University, BS degree, and Certified Public Accountant, Oregon



Barbara A. Shurna, R.N., KPMG - Director

Role and Background: Ms. Shurna is a Director in KPMG's Healthcare Risk Advisory Services Practice with over 25 years of healthcare experience in Medicare coding and billing requirements, business process analysis, and regulatory and compliance assessment. Ms. Shurna will serve as one of the primary subject matter specialists on this engagement.

KPMG Tenure: 8 years

CPE Profile: 100 hours in coding and regulatory updates

Representative Accomplishments:

- Conducted charge master and APC analyses to determine accurate CPT/HCPCS and UB-92 revenue coding
- Conducted charge capture analyses to evaluate charge capture processes at clinical department points of service
- Conducted medical record, claim, and detail bill review to determine accurate CPT/HCPCS and UB-92 revenue coding and billing compliance
- Conducted evaluation and management coding analyses to determine accuracy of physician coding and billing practices
- Provided medical necessity documentation educational presentations to numerous physician groups, physician office staff, and hospital staff
- Directed a quality improvement study, including analysis of coding and billing practices, in over 1500 physician offices throughout the United States
- Provided training in third-party and Medicare reimbursement systems and regulatory compliance for acute care community hospitals
- Analyzed hospital and HMO systems and supply usage, coordinated the standardization of disposable supplies with internal staff, implemented changes, and significantly reduced costs
- Evaluated hospital compliance with JCAHO, state, local and other applicable standards and assisted acute care community hospitals in completing successful surveys, which included the review and revision of policies and procedures, changes in documentation systems, adjustment of staffing patterns, and staff education
- Analyzed workflow, processes, and systems and redesigned patient care delivery systems within nursing departments of acute care community hospitals

Education and Certification: Rush University in Chicago, MS in Nursing, Mount Saint Joseph College, BS, and Registered Nurse



Bruce J. Adler, KPMG - Principal, Healthcare Revenue Cycle Management Specialist

Role and Background: Mr. Adler has over 20 years experience in the healthcare accounts receivable and access care management, organizational change management, performing operations reviews and implementing process improvement/reengineering initiatives for hospitals, practice plans, and long-term care providers, directing cash acceleration/accounts receivable reduction projects, optimizing use of technology to facilitate improved productivity and reducing cost of service, developing management/operational report manuals, developing revised Bad Debt Management protocols, and reviewing accounts receivable and access care system integration and functionality.

KPMG Tenure: 15 years

CPE Profile: 120 hours in healthcare management and finance

Representative Accomplishments:

- Performed diagnostic operational reviews for hospitals, academic medical centers, freestanding clinics, practice plans and long-term care facilities. The reviews identified areas of opportunity/improvement and provided recommended solutions to identified issues.
- Developed and implemented revised operational processes within Revenue Cycle Management for major medical centers, specialty hospitals, physician practices and freestanding clinics. The re-engineering programs included the integration of data, technology and forms within the revised workflow processes.
- Directed Cash Acceleration/Accounts Receivable Reduction Programs. The projects facilitated increased cash flows into the hospitals along with an average 70% - 80% reduction in accounts receivable file.
- Represented hospitals in third party audits that resulted in significant reduction of the institution's liabilities.
- Developed and implemented multi-level financial operational management/financial reporting programs to support proactive monitoring and issue identification within Revenue Cycle Management.
- Developed an RFP process for collection services that resulted in significant reductions in annual collection agency expenses and improved agency service levels.

Education: Hofstra University, M.B.A., Finance and Ohio University, BA



Gene Cullen, KPMG - Director, Reimbursement Specialist

Role and Background: Mr. Cullen has over 20 years of healthcare experience specializing in revenue cycle, reimbursement issues and internal audit.

KPMG Tenure: 8 years

CPE Profile: 120 hours in reimbursement and financial management

Representative Accomplishments:

- Performed risk and control assessments and provided recommendation for business process improvements for managed care providers and acute care facilities in the areas of revenue cycle, coding and documentation, reimbursement, managed care, physician contracting, claims and appeals and staff utilization
- Conducted revenue cycle operations risk and control assessments in access care, third party verification, billing, collection, bad debt management, and cash control and information systems
- Performed product line costing and profitability analyses
- Conducted third party denial gap assessments. Provided assistance in development of denial identification procedures, adjudication process and corrective action plans
- Performed charge master, APC and charge capture assessments. Identified gaps in charge capture, coding, documentation and billing
- Assisted in the development and project management of management's corrective action plans in the areas of documentation improvement, quality, efficiency, revenue improvement, expense reduction and regulatory compliance
- Performed strategic pricing assessments
- Analyzed physician agreements with respect to contractual compliance, regulatory compliance, cost containment, cost reporting, productivity, and internal controls
- Provided assistance on a variety of important and complex issues such as hospital and physician productivity, reimbursement, Graduate Medical Education, Geographic Wage Re-designation, Disproportionate Share, Merged Provider Number, Cost Outlier Assessment, and Bad Debt Reserve and Allowance Accrual Assessments
- Performed cost report quality reviews for the Healthcare Financing Administration
- Conducted clinical department staffing analyses and assisted clinical staff in the identification and correction of process gaps to improve efficiency and reduce cost

Education and Certification: The New School University, MS and BS, Healthcare Management and Certificate in Quantitative Healthcare



Teresa Engel, R.N., KPMG - Manager, Forensic Services Specialist

Ms. Engel has over 15 years in delivering healthcare compliance services, severity/mortality, (i.e., profiling) and reimbursement, she analyzes relevant data to provide useful information to our clients regarding correlation of practice patterns, resources utilized, and length of stay issues.

KPMG Tenure: 3 Year

CPE Profile: 90 hours coding issues and financial management

Representative Accomplishments:

- Successful implementation of documentation program into hospitals of all sizes (100 beds to 1,100 beds as well as multi-hospital systems)
- Conducts physician education/awareness regarding the implications of their documentation practices as it relates to compliance and profiling
- Plans and performs chart review to evaluate inpatient coding, DRG assignment and documentation trends
- Audits medical records, as outlined and structured by IRO, and reported to OIG: inpatient and outpatient coding accuracy, appropriate reimbursement, and other compliance issues
- Audit and report to examine one-day stays and readmission patterns at a large urban hospital system. Also conducted assessment of Utilization Review practices at each facility and identified area of high, moderate, and low risk. Final report included recommendations and an action plan.

Education and License/Certifications: Abraham Baldwin - Nursing Degree, Registered Nurse, Certified Coding Specialist, Certified Professional Utilization Review, Trauma Nurse Specialist, Cardiac Rehab Nurse Specialist, Critical Care Registered Nurse (inactive status), Certified Emergency Nurse (inactive status), and Certified Coding Specialist-Physician (pending exam)



Philip Kalafut, KPMG - Managing Director, Information Optimization Specialist

Role and Background: Mr. Kalafut has 25 years of healthcare experience in the delivery of information technology solutions. His background includes assignments for major clients involving full life cycle development from system planning through deployment as well as profitability improvement and business transformation. He has extensive experience in development of program office with a focus on optimization of client investments that measure their performance, identify and analyze business processes and risks, and develop solutions for improvement.

KPMG Tenure: 1 Year

CPE Profile: 40 hour in healthcare information technology controls

Relevant Experience:

- Developed an e-commerce strategy for a leading pharmacy distribution company by assessing their existing business model for applicability in establishing business-to-business electronic marketplaces
- Created a strategic technology plan for a health system by determining key business objectives and structuring a technology-based plan for achieving these business goals
- Created a plan to consolidate technology operations for a health service provider by assessing its divisions' technological capabilities in determining options available
- Led a multidisciplinary, geographically dispersed team of over 75 business and technology professionals through a year long enterprise redesign, software implementation, clinical and financials.
- Created a rapid deployment strategy for migrating an HMO to the Internet by time-boxing the effort and mobilizing a team of top producers to achieve fast results
- Directed the selection and implementation of high-volume document software by defining needs and surveying the software market for a robust solution

Education: The University of Illinois, BA



Daniel J Kuzdzal, KPMG - Director, Supply Chain Specialist

Role and Background: Mr. Kuzdzal has over twenty years of global and domestic logistics processes, retail and CPG operations, and supporting technology. His supply chain experience ranges from demand and allocation planning systems, foreign vendor freight consolidation, freight forwarding, all modes of transportation, trade compliance, FTZ programs, tax minimization, distribution and network rationalization, RFID applications, and store-level operations.

KPMG Tenure: 10 years

CPE Profile: 100 hours in supply chain management and 20 hours in financial management.

Representative Accomplishments:

- Assessment of order management and order fulfillment for a large integrated delivery system with savings in excess of 8%.
- Performed operational audits a Premier HealthCare on day-to-day processes, customer service, order management, order fulfillment, inventory management, and invoicing.
- Planned the outsourcing and implementation of a national retail home products specialty chain's conversion to a 3PL network of distribution providers.
- Developed a DC by pass, cross-docking solution for a major retail apparel specialty retailer utilizing bar code technology to control distribution to over 2000 stores in the USA & Canada.
- Designed & implemented an international merge in-transit program for a major computer manufacturing from 3 foreign origins direct to customer sites.
- Created a JIT and VMI inventory program in support of laptop manufacturing for a major computer manufacturing.
- Completed process improvement and cost reduction projects for numerous Fortune 1000 clients.
- Developed a wholesale strategy for a major fashion retailer's global sourcing group and planned interface functionality between Retek (ERP), PKMS (WMS), and Movex (ERP) applications

Education: Wayne State University, MBA and BS in Marketing



Patricia Garrigan, KPMG - Manager

Role and Background: Ms. Garrigan is a Manager with emphasis in hospital and SNF operations including pharmacy, charge master, process improvement, fixed assets, medical records, reimbursement, financial planning, expenses and revenue cycle. Ms. Garrigan will perform as staff on this engagement.

Her most recent assignment was for a multi-hospital system in Southern California where she audited several aspects of different pharmacies.

KPMG Tenure: 6 years

CPE Profile: 120 hours in pharmacy, finance, supply chain, and engagement delivery.

Education: The University of Massachusetts, BA degree

Michael VanBrouaene, KMG – Manager

Role and Background: Mr. VanBrouaene is a Manager with over 20 years experience providing service to public and private sector clients. He has managed services focusing on Sarbanes-Oxley compliance, risk assessment, business processes, regulatory compliance, financial and administrative controls, organization structure, cost of services, performance measurement, program management, technology, budgeting, personnel administration, and staffing. Mr. VanBrouaene will perform as staff on this engagement.

KPMG Tenure: 4.5 years

CPE Profile: 30 hours in general auditing and accounting and 25 hours in governmental audit and accounting.

Education: Pennsylvania State University, Masters in Public Administration degree and The University of Notre Dame, BA degree

Matthew Ciano, KPMG - Associate

Role and Background: Mr. Ciano is an Associate in the healthcare internal audit practice with two years of healthcare experience. Mr. Ciano will perform as staff on this engagement.

He is experienced in healthcare processes plus core financial processes such as financial reporting, payroll, accounts payable, purchasing, fixed assets, treasury, legal affairs, cash receipts/cash controls, and human resources. Two other areas of experience are HIPAA and Sarbanes Oxley controls.

KPMG Tenure: 2 years

CPE Profile: 40 hours in Sarbanes Oxley/control assessments, 40 hours in emerging healthcare issues, and 16 hours in project management

Education: The University of Hawaii, Manoa, BS degree



C. Experience and Expertise of the Firm

Introduction to KPMG:

KPMG is one of the “Big Four” accounting firms offering audit, tax and advisory services. In the United States, KPMG employees more than 11,800 professionals led by more than 1,600 partners. KPMG

presently operates out of 95 geographic locations throughout the country. With a strong growth over the past decade, KPMG offers its clients the scale, global reach, industry insight, and multidisciplinary range of services they require. Finally, KPMG brings relevant industry knowledge through our eleven focused lines of business, including the Healthcare and Pharmaceuticals Sector and the Public Sector.

KPMG was the first of the major professional services organizations to establish distinct industry sectors dedicated to meeting specific industry demands. At KPMG, we understand that each industry has its own issues, opportunities, and special challenges. Our industry-focused structure means that we are continually refining our understanding of emerging issues, leading practices, and developing trends, and can provide well-informed and practical advice for our clients.

KPMG offers a powerful combination of national and local market strength and a cohesive multinational network, along with an industry-based organization structure. Our intense industry focus helps us amass and communicate knowledge about regulatory and industry developments before such developments affect our clients’ operations.

Experience Servicing the Healthcare Industry

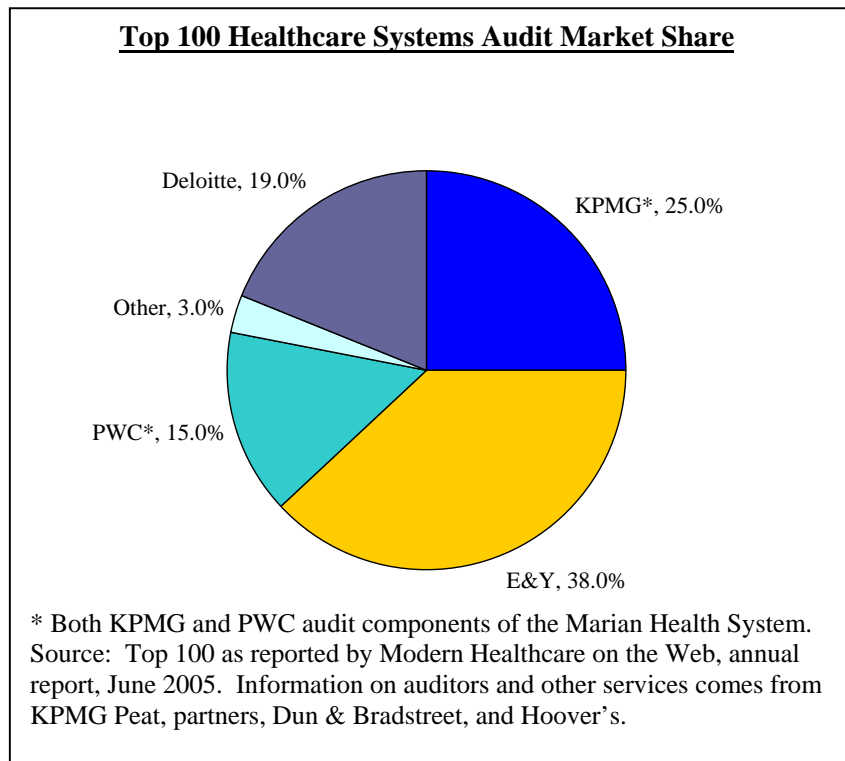
The best evidence of KPMG’s ability to serve AHCCCS is the fact that so many leading healthcare organizations choose to work with us. KPMG’s clients consist of 3,000 healthcare entities including fully integrated delivery systems, payors, physician groups, research, and pharmaceutical firms. KPMG has earned the trust of some of the most successful healthcare organizations in the country. Our clients continue to work with us because they are confident in the quality and value that we deliver. The diversity and depth of our client experience have enabled us to develop substantive knowledge of the business, accounting, internal controls and operational practices of successful organizations.

Worldwide Profile	
Revenue	People
\$12+ Billion	100,000+
Countries	
160 Countries; 1,100 Offices; 839 Cities	



As our broad-based commitment indicates, KPMG has always viewed healthcare as an industry in which we will do more than just participate—we choose to lead. Our leadership role is demonstrated by the fact that KPMG serves:

- More than 40 percent of the Top 100 healthcare systems (top 100 are reported in Modern Healthcare's 2005 survey of healthcare systems, ranked by net patient revenue.)
- Eight of the top 10 managed care companies
- Over 40 percent of the top Catholic healthcare systems
- More than 50 academic medical centers and children's hospitals
- Many of the largest publicly held and not-for-profit long-term care organizations



Some of our specific qualifications include:

- KPMG audits 25 percent of the Top 100 healthcare systems.
- Of the 18 Catholic healthcare systems among the Top 100, KPMG audits eight, which is more than any other of the Big Four. (Ernst & Young audits five, Deloitte audits four and Price Waterhouse Coopers audits two including their part of the Marian Health System.)
- KPMG provides external audit or internal audit outsourcing services to 30 percent of the top managed care companies.



- Of those Top 100 Healthcare systems that have revenues exceeding \$1 billion, KPMG ranks second among major professional services firms in providing audit services.

It is this healthcare leadership role, combined with our continuing investments in technology tools and our rigorous training of industry-focused professionals that enables KPMG to provide healthcare entities with professional services that rank second to none.

KPMG's market share of the nation's largest health systems reflects the strengths of its healthcare professionals. Forty percent of the largest health systems in the United States are KPMG clients, one-fourth are audit clients.

Additional differentiating factors that make KPMG your best contractor choice include:

Healthcare Leadership

Our team will keep AHCCCS informed about emerging market trends, regulatory and legislative changes, leading practices, and effective approaches. KPMG's Healthcare practice, like all of our other industry practices, keeps our professionals at the forefront of industry thinking. As part of our commitment to the business of healthcare, KPMG partners and other professionals actively participate in and support national industry associations such as:

- American Hospital Association
- Association of Healthcare Internal Auditors
- Catholic Health Association of the United States
- Coalition to Protect America's Healthcare
- Health Management Academy
- Healthcare Financial Management Association
- National Committee for Quality Healthcare

National and Local Resources

By engaging KPMG's services you immediately gain access to our top healthcare leadership. Our healthcare team comprises former hospital executives and managers, accountants, PhDs, attorneys, former federal regulators, nurses, medical record coders, and others - all with a significant dedication to, and a comprehensive understanding of, the issues facing the healthcare industry.

Products and Services

As previously described, KPMG is aligned by lines of business. In this respect, products and services are developed specifically for our healthcare clients. Our products and services are developed based on the emerging issues which affect healthcare organizations, and are delivered by our dedicated healthcare advisors.



Our Strength Is Reflected in Our Client Base

The strength of our healthcare provider practice's client base is a testament to the confidence the industry places in us. A representative list of these organizations follows:

Hospital/Health system/Physician Practice

Alexian Brothers Health System
Arnett Physician Practice
American Renal Association
Aurora Health Care
Banner Health System
Brooklyn Hospital Medical Center
Cancer Treatment Centers of America
Carondelet Health System, Inc.
Clarion health Partners, Inc.
Covenant Healthcare System
DaVita, Inc.
Duke University Health System
Froedtert Memorial Hospital
Health Midwest
Hospital Sisters Health System
Integrated Health Services, Inc.
Jamaica Hospital
John Hopkins Medicine
LaPorte Regional health System
Lenox Hill Hospital
Marion General Hospital
Scripps Health
Sharp Health
Stanford University and Lucile Packard Children's Hospital

Healthcare Suppliers

Boehringer Ingleheim
Centocor, Inc.
GE Medical
Guilford Pharmaceuticals
Heraeus Dental Products
Pfizer, Inc.
Siemens Medical Systems, Inc.
Vimrx Pharmaceutical
Zeneca Pharmaceutical

Long-Term Care

Alternative Living Services, Inc.
Assisted Living Concepts, Inc.
Beverly Enterprises
Christian Homes, Inc.
Extendicare, Inc.
Sun Healthcare Group, Inc.
The Jewish Home & Hospital

Payors and Health Plans

Wellpoint
Aetna/US Healthcare
Arnett HMO, Inc.
BlueCross BlueShield of Massachusetts
Delta Dental Plan
Highmark BC/BS
Maricopa County Healthplans
SelectCare, Troy, Michigan



Client References

We selected the clients below in order to demonstrate the depth of our healthcare experience on the West Coast at the State and County levels. Your core delivery team has provided services for each of these major entities. No subcontractors were used to perform the services provided to these clients.

Wellpoint, Inc.

Mr. Randell Lewis, Senior Vice President, Internal Audit and Chief Compliance Officer

120 Monument Circle

Indianapolis, IN 46204

Phone: (317) 488 – 6246

Location of Services: California and Indiana with operations in 11 states

Name All Key Personnel and Subcontractors used:

Mareen Fahey

Paul McBlaine

Kelly Styles

Engagement: August 2001- Present

KPMG has a full time team of more than 20 professionals assisting Wellpoint with controls review, medical management compliance, financial reporting and regulatory compliance projects. In many ways our work at Wellpoint is very similar to the Program Review and Evaluation service objectives described by AHCCCS.

Maricopa County

Ross Tate, VP Internal Audit

301 West Jefferson St.

Suite 1090

Phoenix, AZ 85003

Phone: (602) 506-1588

Location of Services: Arizona

Name All Key Personnel and Subcontractors used:

Kelly Styles

Ken Dawson

Daniel Ellis

Engagement: February 2005- Present

KPMG is assisting Maricopa County with the operational transition from county to district operations. Our work has included transition oversight and feedback to audit committees.



Schaller – Anderson

Tim Hyland, CFO

4645 E Cotton Center Boulevard

Building 1

Suite 200

Phoenix, AZ 85040

Phone: (602) 659-2004

Location of Services: Arizona

Name All Key Personnel and Subcontractors used:

Kelly Styles

Robert York

David Gmelich

Engagement: April 2004

Schaller-Anderson has been growing at a rate that required constant monitoring of both system and human resources. KPMG defined all claims, medical management and administrative processes and created a custom cost dictionary to evaluate and monitor the impact of growth on these resources.



D. Professional Fees

Our approach to fees is summarized as follows:

- We will provide you with a competitive fee structure.
- We will work to ensure that you receive consistent, high-quality services.
- We will not surprise you with special charges or additional costs.

We are prepared to begin this project immediately on your authorization to proceed. Our core team hourly rates for years one through four are as follows:

AHCCCS Consultant Categories	KPMG Core Team	Hourly Rate				
		Year 1	Year 2	Year 3	Year 4	Year 5
Project Manager	Joanne Doherty	\$ 280	\$ 294	\$ 309	\$ 324	\$ 340
Principal/Partner	Kelly Styles	\$ 280	\$ 294	\$ 309	\$ 324	\$ 340
Senior Consultant	Patricia Garrigan	\$ 200	\$ 210	\$ 221	\$ 232	\$ 244
Senior Consultant	Michael VanBruaene	\$ 220	\$ 231	\$ 243	\$ 255	\$ 268
Staff Consultant	Matthew Ciano	\$ 100	\$ 105	\$ 110	\$ 116	\$ 122
R.N.	Barbara Shurna	\$ 280	\$ 294	\$ 309	\$ 324	\$ 340
Other - Subject Matter Specialist	Dan Vincent	\$ 280	\$ 294	\$ 309	\$ 324	\$ 340
Other - Subject Matter Specialist	Daniel Ellis	\$ 280	\$ 294	\$ 309	\$ 324	\$ 340
Other - IT Subject Matter Specialist	Bassam Qasem	\$ 280	\$ 294	\$ 309	\$ 324	\$ 340

The above hourly rates assume a 5% annual trend factor based on the rates that are in effect as of the date of this proposal. Our discounted rates per hour include our administrative fees. In addition to the above hourly rates, we expect to be reimbursed for travel expenses incurred at the request of the AHCCCS in accordance with the State's travel guidelines outlined on their website at www.gao.state.az.us/travel. Any other out-of-pocket expense incurred at the request of the AHCCCS will be discussed and approved by AHCCCS prior to our incurring the cost.

Invoices will be generated monthly to the State agency for which the services are performed, and are due within 30 working days of receipt of the invoice. Invoices will be accompanied with the appropriate supporting documentation.



E. Task Order Management and Evaluation of Delivery Team

Service Objectives Proposed On:

In responding to this solicitation, we are prepared to provide services to assist AHCCCS in addressing their needs relating to the following three service objectives:

- Program Review and Evaluation
- Program Consultation
- Management Consultant – Healthcare Practice Emphasis

Task Order Assignment:

As a task order request is identified, KPMG's lead partner and project manager will work with your identified coordinator to understand the timing and need requirements of the task order. We will prepare a detailed work plan for your review and approval. These work plans will outline the nature, extent and timing of our approach, as well as the names and qualifications of all staff, designated by AHCCCS' labor categories, to be assigned. In addition, we will provide you with a fee estimate that will reflect the core teams' estimated number of professional project performance hours and travel hours separately. Should we propose to include any KPMG Healthcare subject matter specialists who are outside of the core team to complete an assignment, we will separately identify the hours and hourly rate related to each of these individuals. We will provide this work plan within 14 days of your request, for AHCCCS' consideration and approval. Upon AHCCCS' approval, KPMG's project manager will notify the professionals of their assignment and provide the contact information for the AHCCCS liaison with whom they will be working.

In the event the State requires any changes in the scope of work to be performed for a specific assignment, KPMG will submit a revised work plan and fee estimate to AHCCCS within a mutually agreed upon timeframe.

As a significant healthcare client, you will have priority in staff. Normally, KPMG prefers to schedule our people at least 21 days in advance. We will work with AHCCCS to determine mutually agreeable advance scheduling times, and we will accommodate changes in scope or emergencies as swiftly as possible.

Project Management:

The project manager will work with the lead partner to appropriately staff each task order assignment awarded, and will serve as the project liaison responsible for the day-to-day activity. During the task order assignment, we expect our project manager and AHCCCS' liaison to communicate regularly to confirm the work is proceeding on target and all the KPMG professionals are meeting expectations.



Personnel Requirements:

A description of the minimum qualifications for each of AHCCCS' labor categories represented by the core team identified in this proposal are as follows:

AHCCCS' Consultant Categories	Years of Experience in Healthcare	Other Qualifications, include:
Project Manager/Other - Subject Matter Specialists	8+	<ul style="list-style-type: none"> - Has a specific industry and solution focus. - Demonstrates ability to plan and execute complex engagements or projects. - Drives excellence in client service delivery and methodology. - Facilitates exchange of ideas and application of best practices. - Meets or exceeds client expectations as demonstrated by receiving follow-on work. - Maintains strong client relations with senior-level clients and wins client confidence. - Meets or exceeds professional practice standards. - Recognized internally and externally for knowledge and expertise in the field.
Partner/Principle	10+	<ul style="list-style-type: none"> - Possess exceptional leadership and technical skills. - Maintains a leadership role in the professional and local community (i.e., with regulatory authorities, national industry associations, policy setting committees, etc.)
R. N.	10+	<ul style="list-style-type: none"> - Possess a B. S. degree in Registered Nursing - Has a minimum of 5 years experience as a Registered Nurse as well as a minimum of 5 years as a consultant in the industry.
Other - IT Subject Matter Specialist	6+	<ul style="list-style-type: none"> - Has a minimum of 6 years experience in providing consulting services in a specific area of healthcare.
Senior Consultant	4+	<ul style="list-style-type: none"> - Knowledgeable of engagement or project planning and control processes. - Develops strong competency in use of technology to improve productivity. - Knowledgeable of critical success factors for the client and clients industry. - Meets professional practice standards. - Contributes to high performing, positive work environment. - Keeps performance manager informed and effectively communicates with staff.
Staff Consultant	1+	<ul style="list-style-type: none"> - Delivers timely and quality services that meet or exceed team manager's and client's expectations. - Understands industry and services. - Understands the fundamentals of the client's business. - Contributes positively to work/team environment.

The project manager will be responsible to ensure AHCCCS has a current and complete listing of all professionals, by AHCCCS' labor categories, assigned to work on any task order assignments awarded, including any KPMG subject matter specialists brought in to work on a specific assignment.



Level of Assistance from Your Personnel:

Our approach will require minimal assistance from your personnel allowing them to stay focused on their other priorities, unless they choose to take a more active role. However, we will engage your staff in the process, since their participation and concurrence with any recommendations is a valuable investment. Process owners will find us easy to work with for the following reasons:

- Our professionals are very experienced—you will not have to train them
- Our data requests are focused and well structured, and our staff is well supervised
- Our IT professionals are adept at working with client IT departments in order to promote ease in extracting data from your main frame
- We schedule our work when it's convenient for you

Reporting Requirements:

We make client satisfaction a priority and this starts with open communication, setting goals, and expectations. Prior to starting a task order assignment, we will prepare detailed work plans for your review and approval. These work plans will include the nature, extent and timing of our approach, as well as a budget. We will update you frequently regarding the progress on attaining the goals set out in the work plan. Throughout the engagement the we will provide AHCCCS with progress reports, including:

- Summary of current and completed projects
- Summary of monthly activity and total expenses accrued as of the date of the report
- Summary of project status, open issues/problems, recommendations, individual(s) assigned to review, date assigned, and current status

You will not be surprised by our recommendations or status of our efforts.

Project Inspection/Acceptance:

Prior to beginning each individual project KPMG will work with AHCCCS to specifically define performance measures and deliverable standard components. During, and at the conclusion of each assignment, we will confer with you to ascertain your level of satisfaction regarding issues such as quality and timeliness. In addition, if you like, we will pre-schedule periodic ongoing meetings to discuss the quality and timeliness of our efforts on an overall basis. Upon completion of the engagement, should either the State agency requesting the task order or the procurement officer responsible for authorizing the final approval, feel there is a discrepancy between the agreed upon performance measures or the deliverable standard components, we will work with you to reach a mutually acceptable agreement.

Monitoring Client Satisfaction:

KPMG is also unique in its use of our Monitor System. The Monitor System garners client satisfaction in various ways such as having someone from the Firm (not on your engagement team) call you for your feedback. In some situations, Monitor can also obtain such input through



a web portal. We use Monitor's feedback to fine-tune our approach for clients. We will respond to your candor with actions to retain your satisfaction.

Evaluation and Performance Measures of Project Staff:

Individual goals of partners, managers, and staff are tied to performance evaluations of individual projects. Feedback from our Monitor System and performance partner and manager evaluations effect an individual's work assignments and compensation.

Turnover Rate of Professional Staff:

You will note the personnel assigned to this project have been with KPMG LLP for a considerable time; some in excess of 20 years. This demonstrates the stability of KPMG's healthcare practice.

For KPMG's advisory practice in the western region, the FYE 2005 turnover rates were as follows:

- Partners & Managing Directors: 3%
- Directors and Senior Managers: 10%
- Managers: 15%
- Senior Associates: 20%
- Associates: 14%

These figures include voluntary and involuntary turnover. We believe these figures match the experiences of other "big four" firms in staff retention.



F. Certification of Insurance

As a “Big Four” accounting firm with offices around the world, KPMG has required insurance in force for amounts of coverage for today’s business risks. Such coverage includes: professional liability, workers compensation, comprehensive general liability and auto (owned and non-owned) insurance.

KPMG’s limits for general, workers compensation, and automobile (owned and non-owned) insurance ranges from \$1,000,000 to \$5,000,000 per occurrence. Insurance certificates are available upon request.



G. HIPAA Business Associate Addendum

Confidentiality of client information is at the core of an accounting firm's professional integrity and is the client's main protection. We are bound by rules and regulations of the American Institute of Certified Public Accountants (AICPA), state accountancy bodies, and numerous regulators relating to the strict confidentiality of client information, and we take those obligations very seriously.

The AICPA's Code of Professional Conduct, Rule 301, Confidential Client Information, states: "A member in public practice shall not disclose any confidential client information without the specific consent of the client."

In addition, KPMG employs the following policies:

- Firm personnel are required to maintain confidentiality of client and former client information, as well as information of non-clients known to be confidential. Confidential information of non-clients may be obtained through proposal opportunities, participation in peer reviews of other public accounting firms, and rendering due diligence services.
- The firm restricts access to, and maintains control over, its work papers. Work papers are only made available to others outside of KPMG in limited circumstances, and with the prior approval of the client and engagement partner.
- Upon commencement of employment, firm professionals are required to affirm in writing their understanding of AICPA rules governing the treatment of confidential client information. This affirmation is updated as of July 1 of each year thereafter, and upon promotion to the management group. This affirmation is incorporated in the independence affidavit.
- Audit and risk advisory and tax administrative employees are advised annually by the area risk management partner, and performance-improvement administrative employees by the professional practice partner, of requirements of maintaining independence and confidentiality of client information.



H. Conflict of Interest

Objectivity and integrity are the central pillars of our organization, without which we could not serve our clients properly. Thus, we work diligently to avoid even the appearance of conflicts of interest. When we become aware of a potential conflict of interest, which is most likely to occur in an acquisition or divestiture transaction, our policy requires that the engagement partner discuss the position with our Department of Professional Practice. Before it is agreed that the engagement should be pursued, both parties to the transaction are notified as to the potential conflict of interest and, if the engagement is accepted, a “Chinese Wall” is established with respect to the professionals assigned.

KPMG is not aware of any potential conflict of interest with AHCCCS as it relates to the scope of work discussed in this proposal. If we are selected as your service provider, the core team will not undertake any work that they know represents a potential conflict of interest, without prior written approval by the State.



I. Exceptions to Terms and Conditions

The RFP includes the State's Uniform Terms and Conditions and Special Terms and Conditions, as well as Uniform Instructions, Special Instructions, Scope of Work, and Pricing Instructions. Section 3.4 ("Exceptions to Terms and Conditions") of the Uniform Terms and Conditions warns that the "Offeror's preprinted or standard terms will not be considered by the State." Section 3.4, however, also provides that the State will consider "exceptions" that are submitted "in a clearly identified separate section of the Offer in which the Offeror clearly identifies the specific paragraphs of the Solicitation where the exceptions occur."

Accordingly, our comments are set forth below. Because of the "Order of Precedence" provision in section 3.13 of the Uniform Instructions and section 2.3 of the Uniform Terms and Conditions, KPMG's proposed additions – most importantly the limitation of liability provision – must be included in the Special Terms and Conditions of the contract, and KPMG's proposed additions will take precedence over any subsequent discussion of same topics in later sections should they exist..

Uniform Terms and Conditions

1. Revise section 3.7 ("Property of the State") as follows: (i) in the third line, insert the words "Except as required by law or legal process," before the words "The Contractor shall not release"
2. Delete section 6.2.1 ("Contractor/Vendor Indemnification (Not Public Agency)"). The subject of indemnification is addressed in the Special Terms and Conditions.
3. Revise the third sentence of section 9.4 ("Termination for Convenience"), by adding the following at the end, after the words "upon demand": ", except Contractor's workpapers, which are and shall remain the exclusive property of Contractor."
4. Revise section 9.5.2 by adding the following at the end, after the words "on demand": ", except Contractor's workpapers, which are and shall remain the exclusive property of Contractor."
5. Section 9 allows the State to terminate the contract for default without providing KPMG the opportunity to cure any alleged deficiencies in performance. KPMG requests the addition of the following as a new subparagraph 9.5.4: "9.5.4 Prior to termination of this Contract for cause, the State shall notify the Contractor of its intent to terminate the Contract for cause, identify the alleged deficiencies in performance giving rise to the intent to terminate, and shall give the Contractor ten (10) days to cure such deficiencies prior to termination."

Special Terms and Conditions

1. There is no limitation of liability in the contract. Hence, the following limitation of liability must be added in the Special Terms and Conditions section of the contract:

"The Contractor's maximum liability to the State arising for any reason relating to the Contractor's performance under this Contract, or any amendment thereto, shall be limited to the amount of fees paid to the Contractor for its performance. Neither party shall have any liability to the other party for any lost profits or special, incidental, indirect, punitive or

consequential damages, even if such party has been advised of the possibility of such damages.”

2. Delete Section 1 (“Acceptance or Rejection of Key Personnel”). Section 21 (“Key Personnel”) already addresses the subject of key personnel, and provides that “key personnel shall not be removed or replaced without the prior written approval of the State’s authorized representative and a copy to the Contracting Officer of record.”
3. Revise Section 6 (“Conflict of Interest”) as follows: (i) in the first, third, and fourth lines insert the words “engagement team of” before the word “contractor” and in the sixth line insert the word “engagement team of” before the second use of the word “contractor”; (ii) in the first line, insert the word “knowingly” before the word “undertake”; (iii) in the second line, delete the words “or which is not in the best interest of the State”; (iv) in the third line, after the word State, insert “, which shall not be unreasonably withheld” ; (v) in the fourth line, insert the words “they know” before the words “may present”; and (vi) in the fifth line, insert the words “entity that the engagement team of contractor knows is an” before the word “AHCCCS”.
4. Delete Section 7. Termination for cause would then be governed only by Section 8, which permits cancellation of the contract on 10 days’ notice if KPMG does not cure the alleged deficiency within that period.
5. In the fourth line of section 9 (“Cooperation with other Contractors”) insert the word “knowingly” before the word “commit.”
6. In the sixth line of section 12.1, after the word “clarification,” insert the words “when agreed to by the Contractor,”.
7. At the start of the first sentence in section 13 (“Disclosure of Confidential Information”) insert the following: “Except when required by law or legal process, or to fulfill professional obligations or standards,”
8. Revise section 19 (“Indemnification Clause”) as follows: (i) in line four, insert the word “reasonable” before the word “attorneys”; (ii) in line seven, delete the words “or intangible”; (iv) in line fifteen, after the word “claims,” insert the following: “to the extent specified in the first sentence of this section 19.”
9. In the third line of section 26 (“Other Contracts”) insert the word “knowingly” before the word “commit.”
10. Delete section 27 (“Ownership of Information and Data”) and insert in its place the following:

Contractor Property. Contractor has created, acquired, owns or otherwise has rights in, and may, in connection with the performance of services under this contract, employ, provide, modify, create, acquire or otherwise obtain rights in, various concepts, ideas, methods, methodologies, procedures, processes, know-how, and techniques, models, templates; software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation of systems (collectively,

“Contractor Property”). Contractor retains all ownership rights in Contractor Property. The State shall acquire no right or interest in such property, except for the license expressly granted in the next paragraph. In addition, Contractor shall be free to provide services of any kind to any other party as Contractor deems appropriate, and may use Contractor property to do so. Contractor acknowledges that Contractor Property shall not include any of the State’s Confidential Information or tangible or intangible property, and Contractor shall have no ownership rights in such property.

Ownership of Developed Materials. Except for Contractor Property, and upon full and final payment to Contractor under the contract, the tangible items specified as deliverables in the contract, including any intellectual rights appurtenant thereto (“the Deliverables”), will become the property of the State. If any Contractor Property is contained in any of the Deliverables, Contractor hereby grants the State a royalty-free, non-exclusive, license to use such Contractor Property in connection with the State’s use of the Deliverables.”

11. Revise section 28 as follows: (i) In line three, delete the word “whatsoever” and substitute “for payment for services performed or goods supplied”; (ii) in the fourth line, insert the word “Contractor’s” before the word “employees.”

Scope of Work

1. Revise the second paragraph of section 8 (“Project Inspection and Acceptance”) as follows: (i) in the second line, after the word “accept,” insert “(and such acceptance shall not be unreasonably withheld)”; (ii) in the fourth line, delete the word “substandard”; (iii) in the fifth line, delete the word “acceptable” and substitute “the requirements of this contract and applicable professional”.
2. Revise the third paragraph of section 8, as follows: (i) in the first line, delete “any recommended” and substitute “commercially reasonable”; (ii) in the third line, delete “determined by the State” and substitute “mutually agreed to by the parties”

Pricing Instructions

1. Revise section 5 (“Unaccepted Work”) as follows: (i) In the second line, after the words “accept” insert “(and such acceptance shall not be unreasonably withheld)”; (ii) in the third line, delete the word “substandard”; (iii) in the fourth line, delete “acceptable” and substitute “the requirements of this contract and applicable professional”; (iv) in the fifth line, delete “substandard.”

Special Instructions

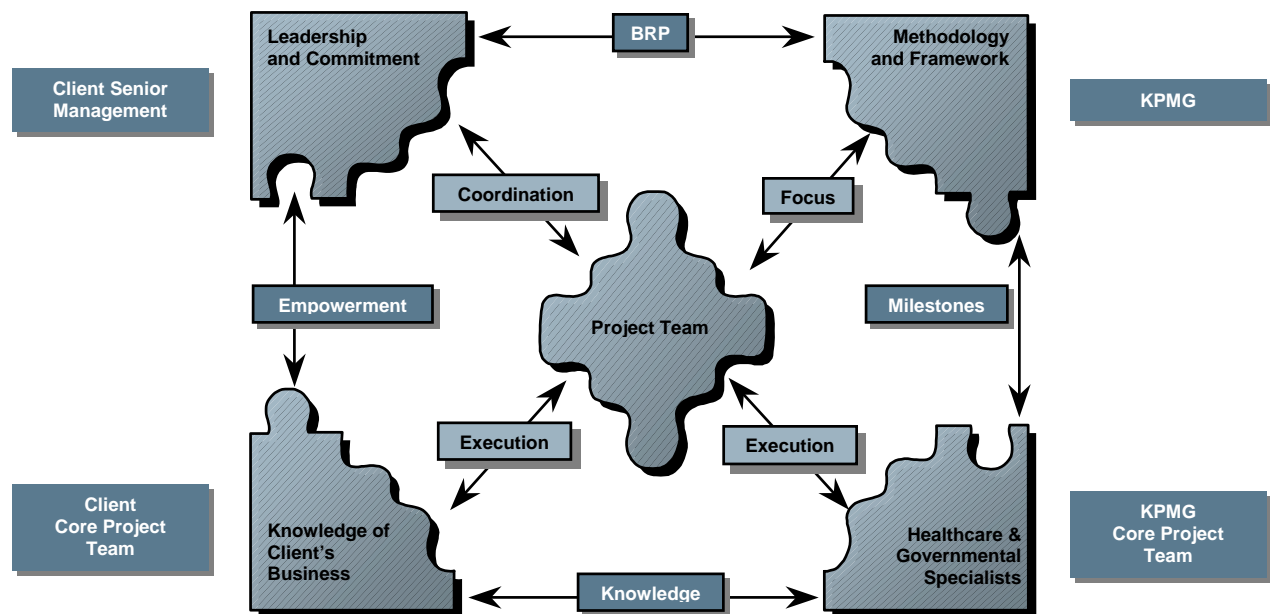
1. In the third line of section 7 (“HIPAA Business Associate Addendum”) after the word “signed,” insert “subject to any negotiated changes,”.

J. Sample Work Plan – Program Review & Evaluation

Our Proposed Project Team

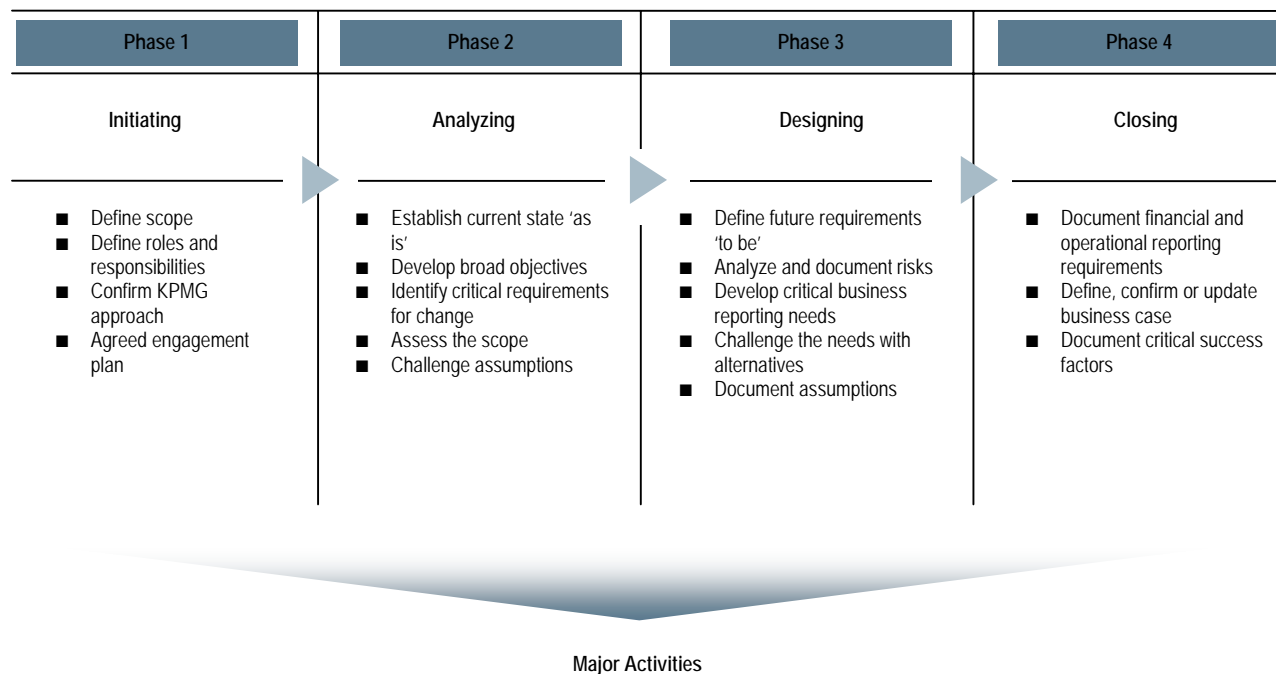
You and KPMG – Working Together

To help ensure success of this project, complementary skill sets are required on the project team. Combining the business and customer expertise of Management with the extensive financial reporting, industry and business transformation know-how of KPMG will result in a project well positioned for success.



KPMG's Approach

This figure depicts those key activities that are the basic requirements; the core activities that this engagement will follow. Based on our knowledge and experience, the methodology is flexible enough to use those activities that best satisfy your needs, objectives and requirements.



KPMG's Approach

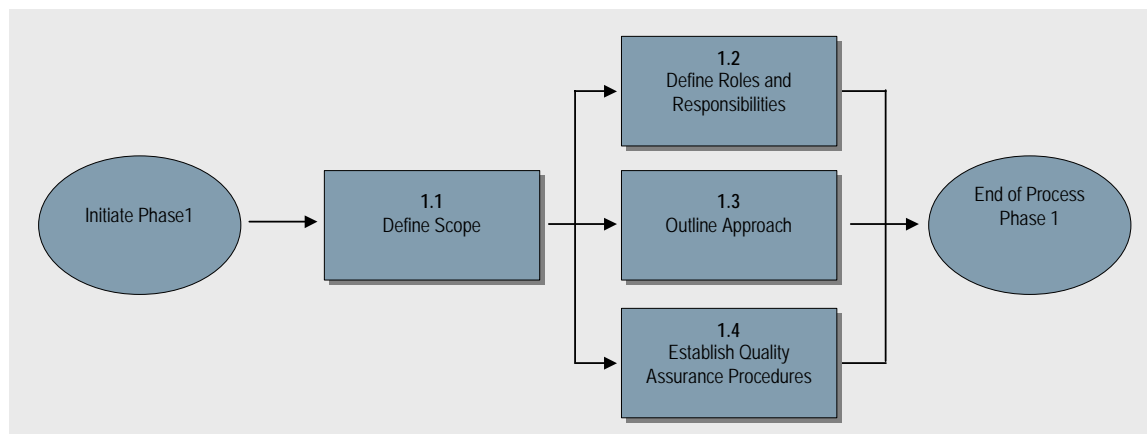
Phase 1

Initiating

Phase 1 Overview:

The objective of this phase is to clearly define our scope, outline our approach and obtain your commitment and sign-off to the engagement. It is critical that the ground-rules are clearly understood, deliverables are well defined and the roles and responsibilities of both our parties are clearly identified and agreed. Key activities are:

- Clearly define the scope of engagement
- Agree upon quality assurance process
- Clearly define roles and responsibilities
- Finalize timeline
- Issue/change management
- Initial risk assessment



KPMG's Approach

Phase 1 - Detail:

Activity 1.1: Clearly define the scope of the engagement

- Task 1.1.1 Create a high level overview of the engagement
- Task 1.1.2 Describe the background as to why the work is necessary
- Task 1.1.3 Describe the objectives of the assignment, assumptions and completion criteria

Activity 1.2: Clearly define roles and responsibilities

- Task 1.2.1 Create a high level overview of the structure of the organization and the engagement team
- Task 1.2.2 Identify the sponsor and describe their commitment to the engagement
- Task 1.2.3 Identify the members of the steering committee and other groups

Activity 1.3: Outline the approach

- Task 1.3.1 Confirm and modify the approach
- Task 1.3.2 Ensure all stakeholders and work groups understand and agree the approach

Activity 1.4: Establish quality assurance procedures

- Task 1.4.1 Detail the quality assurance procedure
- Task 1.4.2 Prepare an initial risk assessment

KPMG's Approach

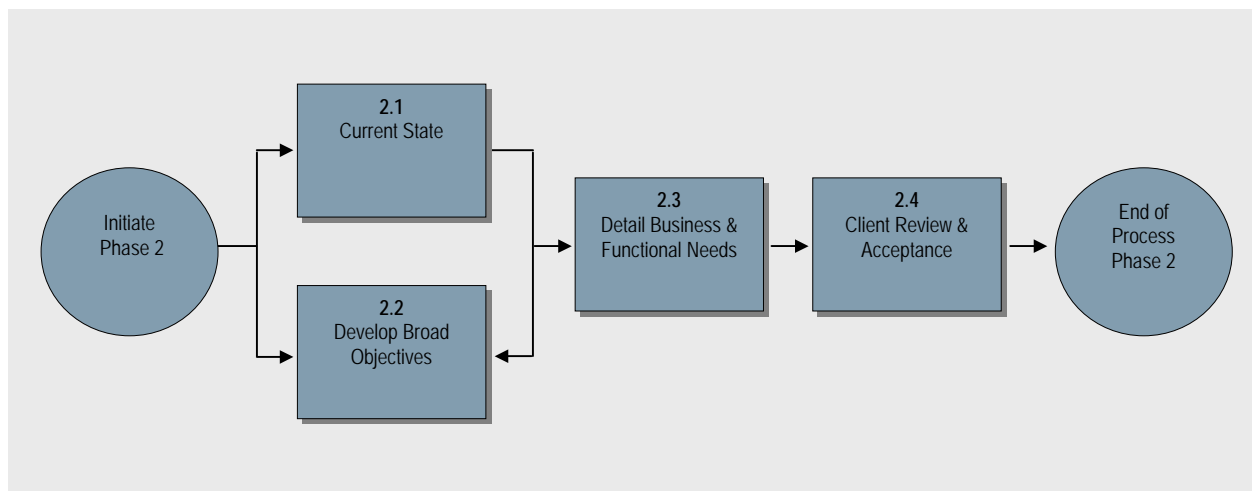
Phase 2

Analyzing

Phase 2 - Overview:

The purpose of this phase is to develop objectives, business and functional needs of the new system and to get appropriate approval of the business specification. In order to achieve these goals the following activities will be performed including:

- Perform an analysis of the current state
- Develop broad objectives of the new solution
- Specify the financial and management reporting needs of the solution
- Review and accepting the identified financial and management reporting needs



KPMG's Approach

Phase 2 - Detail:

Activity 2.1: Current State ('as is' process modeling)

- Task 2.1.1 Document current state

Activity 2.2: Develop broad objectives

- Task 2.2.1 Define scope of the new business solution
- Task 2.2.2 Define context of the business solution in relation to other initiatives & business processes

Activity 2.3: Detail high level business and functional needs

- Task 2.3.1 Confirm high level business vision and business model

Activity 2.4: Client review and acceptance

- Task 2.4.1 Obtain agreement and acceptance to the proposed business needs of the new vision for financial reporting

KPMG's Approach

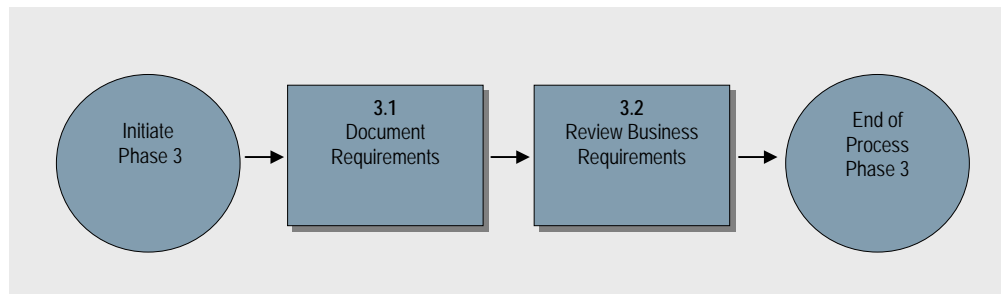
Phase 3

Designing

Phase 3 - Overview:

In order to design the conceptual solution for your financial and management reporting needs, the following activities will be performed:

- Document end user requirements
- Document business rules
- Undertake the functional decomposition of processes
- Document information requirements
- Document technical requirements and constraints
- Review the financial reporting and management reporting business requirements
- Develop alternatives to reach desired end state
- Undertake financial analysis of proposed alternatives



KPMG's Approach

Phase 3 - Detail:

Activity 3.1: Document requirements

- Task 3.1.1 Document User requirements
- Task 3.1.2 Document the business rules
- Task 3.1.3 Undertake functional decomposition of processes
- Task 3.1.4 Document information requirements
- Task 3.1.5 Document technical requirements and constraints

Activity 3.2: Review business requirements

- Task 3.2.1 Review business requirements
- Task 3.2.2 Develop options
- Task 3.2.3 Undertake financial analysis
- Task 3.2.4 Undertake risk analysis

KPMG's Approach

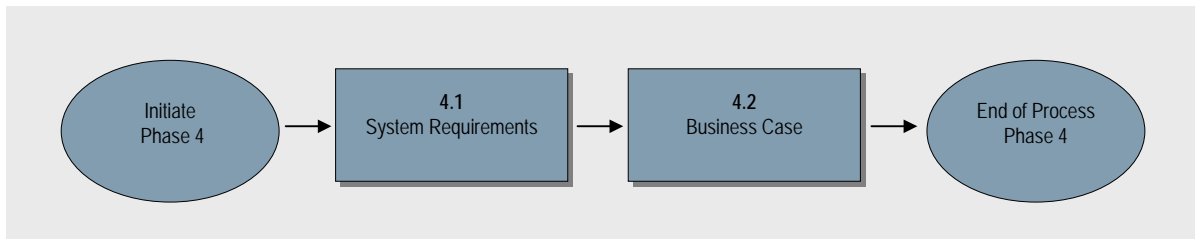
Phase 4

Closing

Phase 4 - Overview:

Our final phase will build upon our previous work completed and will consist primarily of preparing our final reports including:

- Financial and management reporting requirements report
- Your review and acceptance of the financial and management reporting requirements report
- Preparation of the business case report
- Your review and acceptance of the business case report





KPMG's Approach

Phase 4 - Detail:

Activity 4.1: Solutions requirements

- Task 4.1.1 Prepare the solution requirements report
- Task 4.1.2 Your review and acceptance

Activity 4.2: Business case

- Task 4.2.1 Prepare business case report
- Task 4.1.2 Your review and acceptance

High Level Project Plan

Phase I – Initiate

Initial Preparation

Phase II – Analyze

Define Functional Requirements

Assess “As-Is”

Recommend Quick Fixes/Opportunities

Phase III – Design

Document Requirements

Review Requirements

Phase IV – Report

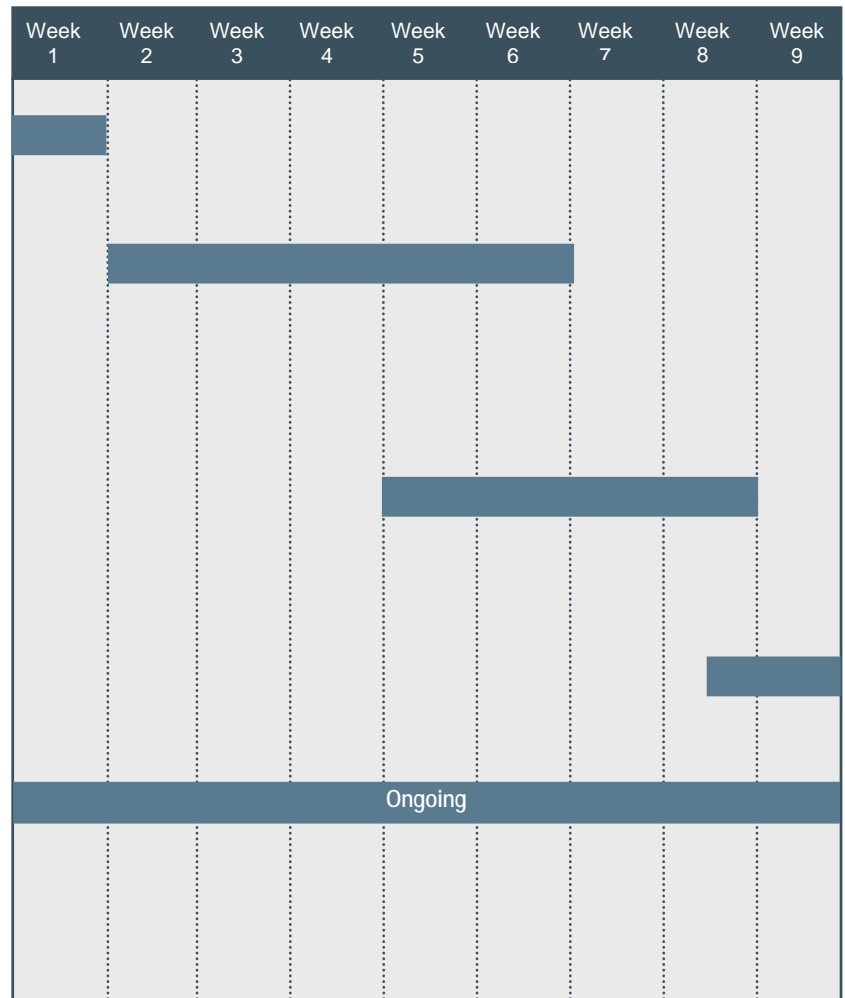
Develop and Finalize Report

Ongoing Activities

Change Management

Project Risk Management

Knowledge transfer activities



Project Timeline for Phase 1 (Week 1)

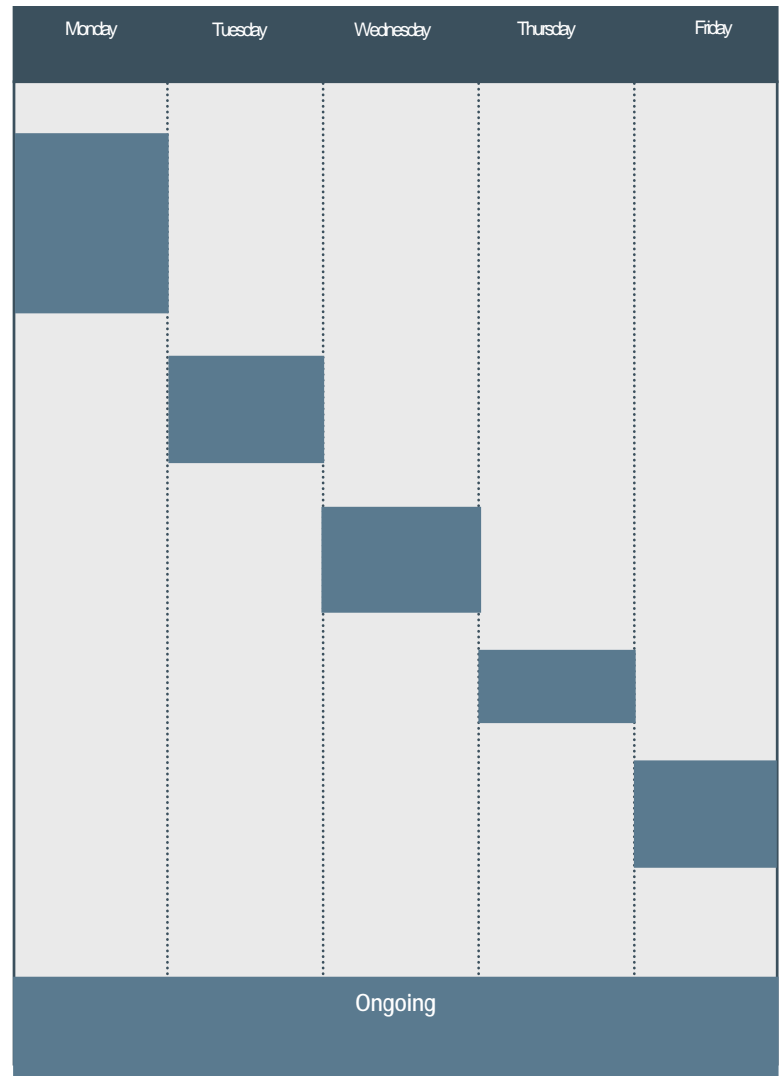
Phase I – Initiate

Initial Preparation:

- Confirm project resources (e.g. space, network)
- Begin collection of better practices
- Finalize project schedule and reporting structure
- Finalize project objectives, assumptions, team roles and completion criteria
- Begin developing change readiness assessment
- Begin scheduling key interviews
- Provide methodology to Client's Project Director
- Prepare communication material/framework
- Collection of Client specific documentation
- Ongoing scheduling of key interviews
- Begin interview process
- Prepare for 'As-Is' assessment
- Continue interview process
- Prepare initial risk assessment
- Present weekly update to Client

Ongoing Activities

Change Management
Project Risk Management
Knowledge transfer activities



Project Timeline for Phase 2

Phase II – Analyze

Define Functional Requirements:

- Conduct Interviews
- Define Functional Requirements

Assess “As-Is”:

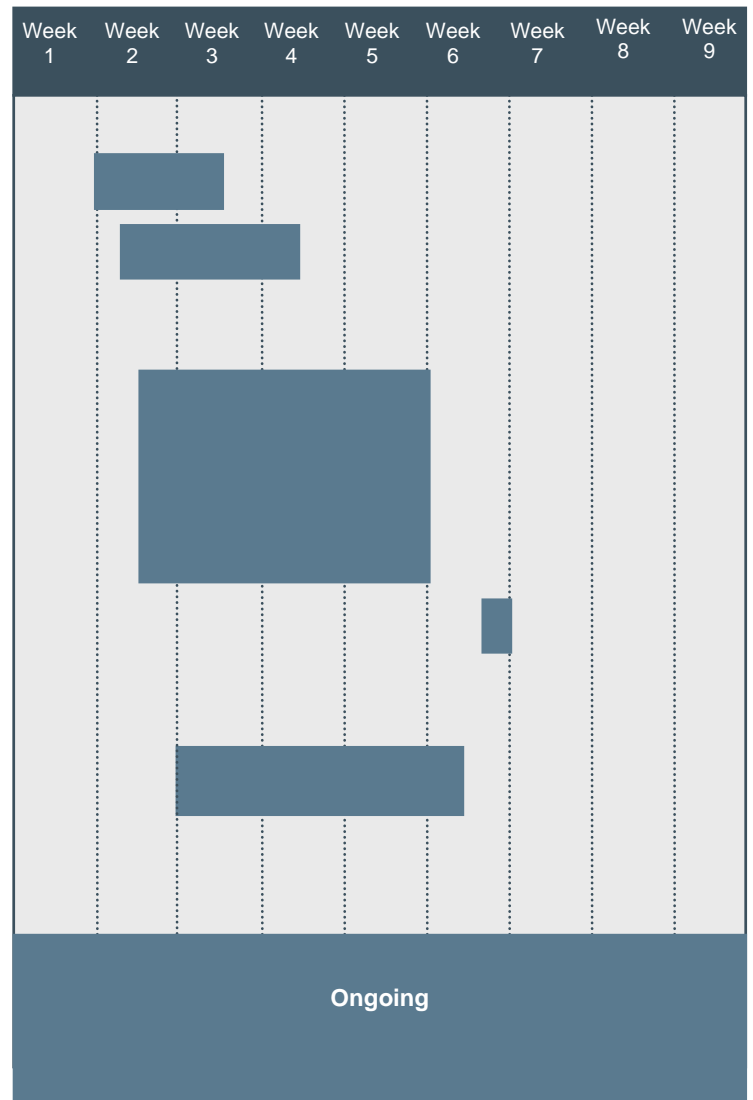
- Develop “As-Is” analysis of:
 - Application configuration
 - Technology infrastructure
 - Business processes
 - Human development
- Validate with Steering Committee

Recommend Quick Fixes/Opportunities:

- Identify/Priorities Opportunities

Ongoing Activities

Change Management
 Risk Management
 Communication planning
 Knowledge transfer activities



Project Timeline for Phases 3 & 4

Phase III – Design

Document Requirements:

- Document business rules
- Deconstruct process
- Document information requirements
- Document technical requirements and constraints

Review Requirements:

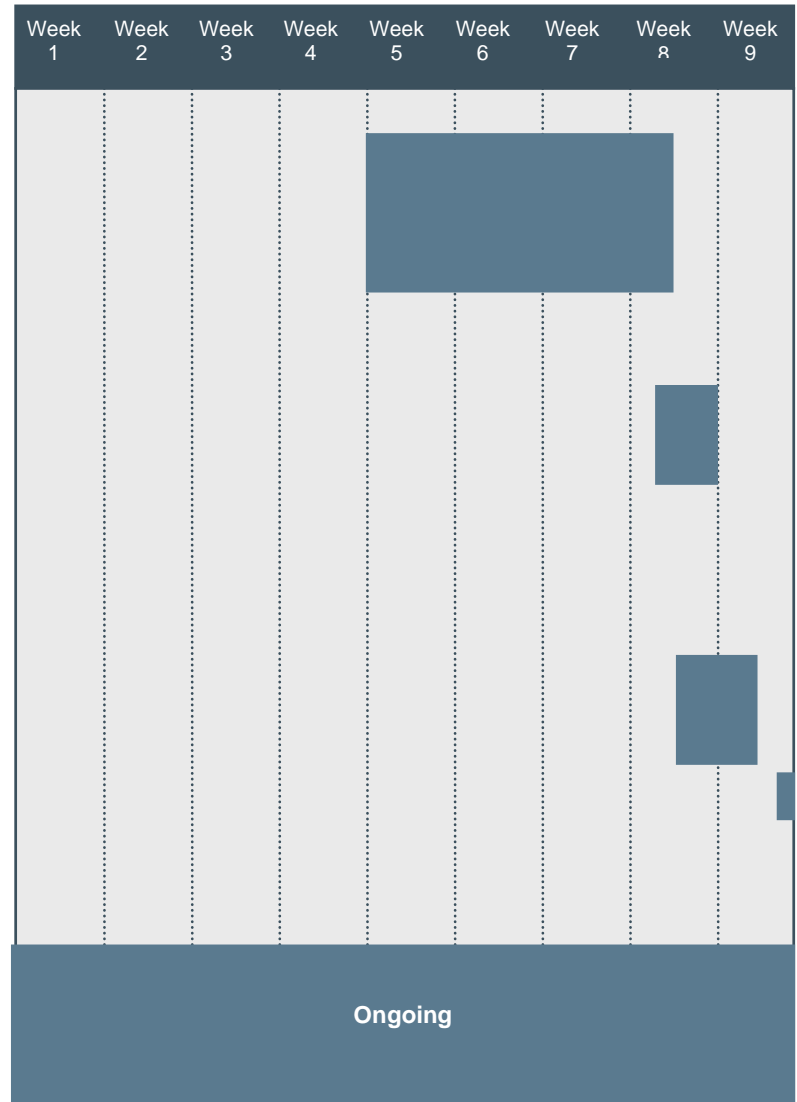
- Develop options
- Conduct financial analysis
- Conduct risk analysis

Phase IV – Report

- Develop and Finalize Report:
- Develop solutions report
- Develop financial analysis
- Develop migration plan
- Present to Steering Committee

Ongoing Activities

Change Management
 Risk Management
 Communication planning
 Knowledge transfer activities



K. Sample Work Plan – Program Consultation

KPMG's four step approach to performing an operational assessment is summarized below. Detailed descriptions of the proposed activities within each step are included on the following pages.

